

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|---|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name SECORD TOWNSHIP | County GLADWIN |
| Audit Date 6/30/04 | Opinion Date 7/23/04 | Date Accountant Report Submitted to State: 11/17/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | ✓ |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|-------------------------|--------------------|
| Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH | | | |
| Street Address 601 BEECH STREET | | City CLARE | State MI |
| | | ZIP 48617 | |
| Accountant Signature <i>Shannon L. Wilson CPA</i> | | Date 11/17/04 | |



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& CONSULTANTS

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SECORD TOWNSHIP GLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2004

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GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3a-3k |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Assets | 4 |
| Statement of Activities | 5 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 6 |
| Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 8 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 9 |
| Fiduciary Funds | |
| Statement of Fiduciary Net Assets | 10 |

CONTENTS

| | |
|---|----------------------|
| Notes to Financial Statements | <u>Page</u> 11-20 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule – General Fund | 21 |
| Other Supplemental Information | |
| Combining Balance Sheet – Nonmajor Governmental Fund | 22 |
| Combining Statement of Revenues, Expenditures and Changes In Fund Balance – Nonmajor Governmental Fund | 23 |



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Independent Auditors' Report

July 23, 2004

To the Township Board
Secord Township
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of and for the year ended June 30, 2004, which collectively comprise the Secord Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Secord Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Township Board
Secord Township
July 23, 2004

As described in Note 1, the Government has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

Required Supplemental Information

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Secord Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Our discussion and analysis of the Secord Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2004.

Financial Highlights

The Township's net assets increased by approximately \$94,000 or 11%. Program revenues were \$502,475 or 69% of total revenues, and general revenues were approximately \$231,000 or 31%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Secord Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2004:

| Exhibit A | <u>Governmental Activities</u> |
|---|---|
| Assets | |
| Current and other assets | \$ 928,018 |
| Capital assets - Net of accumulated depreciation | <u>211,143</u> |
| Total assets | <u>1,139,161</u> |
| Liabilities | |
| Current liabilities | 93,584 |
| Long-term liabilities | <u>74,665</u> |
| Total liabilities | <u>168,249</u> |
| Net Assets | |
| Invested in property and equipment - Net of related debt | 136,548 |
| Restricted | 493,151 |
| Unrestricted | <u>341,213</u> |
| Total net assets | <u><u>\$ 970,912</u></u> |

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

This analysis focuses on net assets. The Township's net assets were \$970,912 at June 30, 2004. Capital assets, net of related debt totaling \$136,478 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the Fire Fund.

The \$341,283 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Exhibit B

**Governmental
Activities**

Revenue

Program revenue:

Charges for services

\$ 497,985

Grants and contributions

4,490

General revenue:

Property taxes

130,902

State revenue sharing

83,762

Other

16,315

Total revenue

733,454

Function/Program Expenses

General government

99,886

Public safety

53,239

Public works

216,918

Highways and streets

258,305

Planning, zoning, and inspector

6,935

Interest on long-term debt

3,954

Total expenses

639,237

Increase in Net Assets

\$ 94,217

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$639,237. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$130,902 in taxes, \$83,762 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$94,217. Key reasons for the change in net assets were an increase in the property tax base and a decrease in expenditures from budgeted weed control, road construction and road maintenance costs. The increase will be used for future weed control and road projects. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

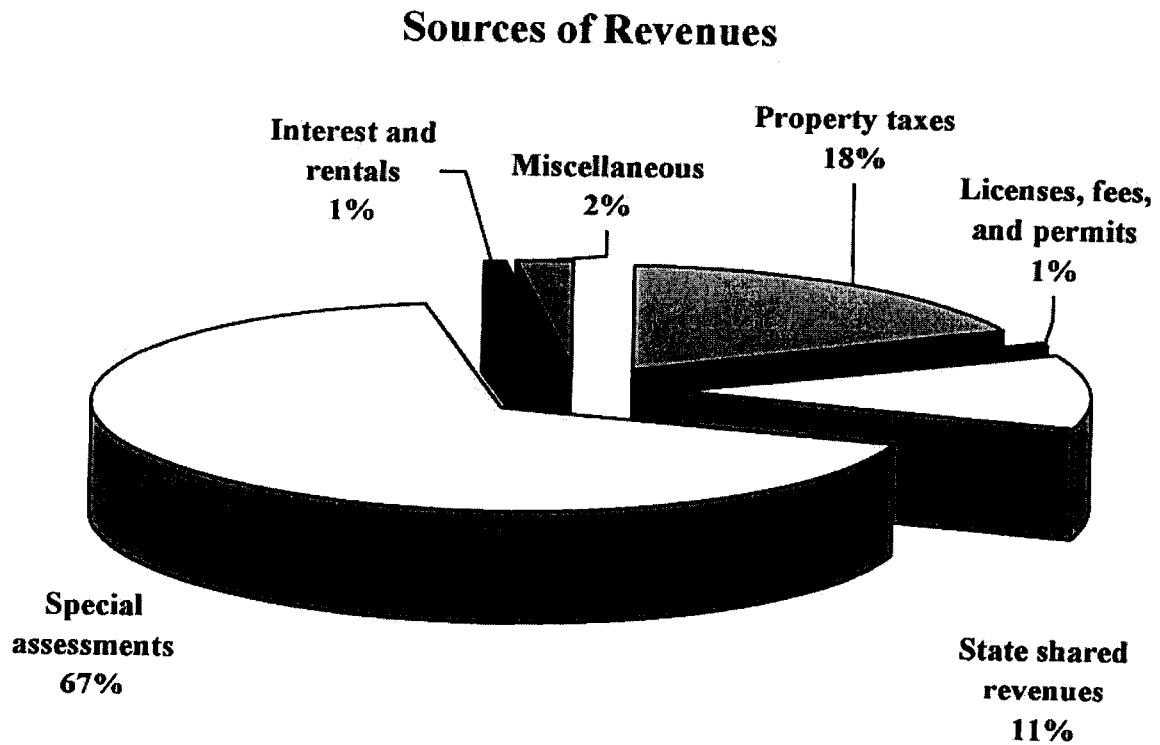
The Township's governmental funds reported a combined fund balance of \$837,356, which is above last year's total of \$750,106. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2004 and 2003.

| | <u>Fund Balance</u> <u>June 30, 2004</u> | <u>Fund Balance</u> <u>June 30, 2003</u> | <u>Increase</u> |
|-----------------|---|---|------------------|
| General | \$ 756,444 | \$ 671,921 | \$ 84,523 |
| Special Revenue | <u>80,912</u> | <u>78,185</u> | <u>2,727</u> |
| Total | <u>\$ 837,356</u> | <u>\$ 750,106</u> | <u>\$ 87,250</u> |

- Our General Fund increased \$84,523. The increase is mainly due to an increase in the taxable value of property of approximately 12%, a decrease in expenditures from budgeted weed control, road construction and road maintenance costs, and no capital outlay expenditures due to the planned construction of the new township hall.
- Our Special Revenue Fund increased \$2,727. The increase is due to an increase in tax revenue.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

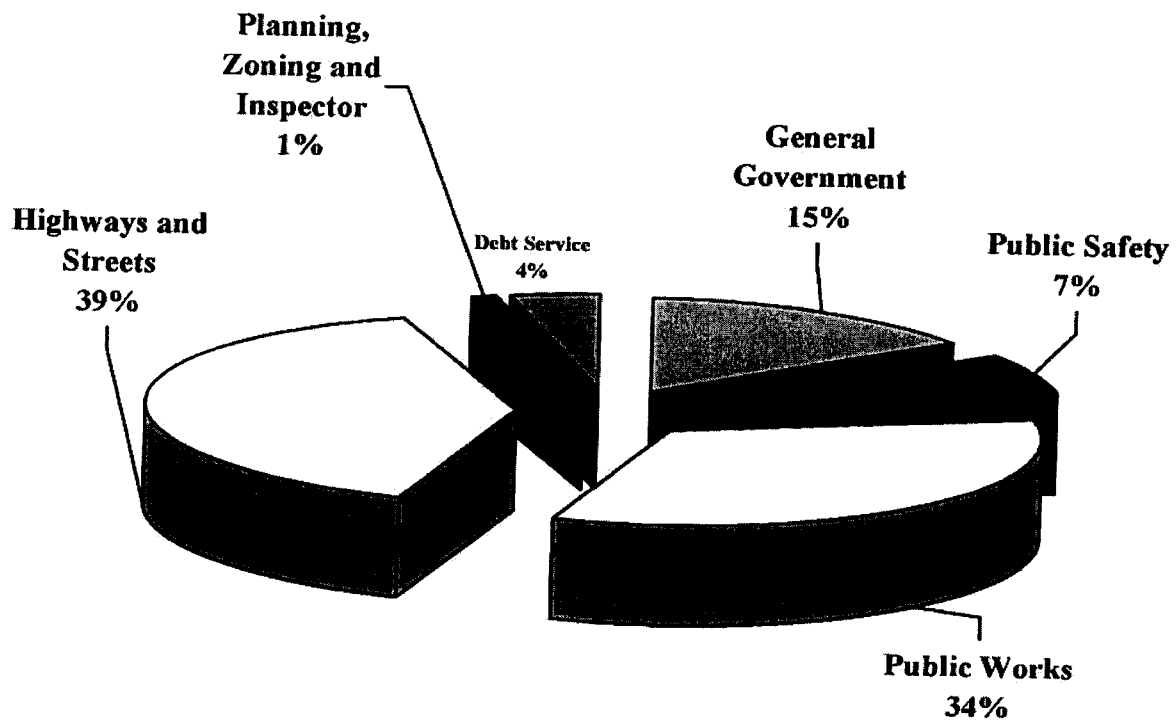
As the graph below illustrates, the largest portion of the Township's revenue comes from special assessments.



SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

The graph below illustrates, 39% of the Townships' resources are spent on highways and streets. Another 34% is spent on public works on services such as weed control and rubbish removal, while 15% is spent for general government expenses such as administrative costs and hall and ground, including utilities. The remaining 12% is spent on other services provided to the residents of the Township as listed below.

Expenditures



SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

The chart below compares current year expenditures with prior year.

| | <u>2004</u> | <u>2003</u> |
|---------------------------------|-----------------------|-----------------------|
| <i>Expenditures by Function</i> | | |
| General government | \$ 96,372 | \$ 103,540 |
| Public safety | 42,997 | 48,804 |
| Public works | 216,918 | 184,847 |
| Highways and streets | 258,305 | 184,394 |
| Planning, zoning and inspector | 6,935 | 9,119 |
| Debt service | <u>24,677</u> | <u>32,132</u> |
| Total | <u>\$ 646,204</u> | <u>\$ 530,704</u> |

Expenditures are up by approximately \$115,500 or 18% over the prior year mostly due to increased spending in road repair and maintenance, rubbish removal and weed control.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were immaterial changes to the General Fund original budget. The differences between the budget and the final actual amounts are as follows:

- Actual revenues were under budgeted revenue by \$21,584. The difference is due less property tax revenue being collected in the current year than expected. The reduction in property taxes was partially off-set by an increase in the road maintenance special assessment revenue.
- Actual expenditures were under the budgeted expenditures by \$108,759. The difference is due to a delay in the construction in the Township hall, equipment purchases and road construction projects. There was also no spending involved with the contingency account.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Capital Assets

At June 30, 2004, the Township had \$330,083 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$6,600, or 2 %, from last year.

| | <u>2004</u> | <u>2003</u> |
|-------------------------------|--------------------------|--------------------------|
| Land | \$ 10,850 | \$ 10,850 |
| Buildings and improvements | 44,138 | 41,835 |
| Machinery and equipment | <u>275,095</u> | <u>270,825</u> |
| Total capital assets | 330,083 | 323,510 |
| Less accumulated depreciation | <u>118,940</u> | <u>98,611</u> |
| Net capital assets | <u><u>\$ 211,143</u></u> | <u><u>\$ 224,899</u></u> |

This year's additions of \$6,573 included a rescue boat and keyless entry for the fire department and a well pump for the Township hall. No debt was issued for these additions.

We anticipate capital additions will be the construction of a new township hall. The Township plans to finance the construction of the new hall with capital improvement bonds in the amount of \$260,000. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Township had \$74,665 in long-term debt outstanding versus \$94,892 in the previous year – a change of 21%. These long-term debt consisted of the following:

| | <u>2004</u> | <u>2003</u> |
|----------------------|-------------------------|-------------------------|
| Installment Purchase | | |
| Agreements | \$ 27,356 | \$ 34,783 |
| Capital Leases | <u>47,309</u> | <u>60,109</u> |
| | <u><u>\$ 74,665</u></u> | <u><u>\$ 94,892</u></u> |

The Township's outstanding general obligation debt of \$74,665 is significantly below the statutorily imposed limit.

SECORD TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

In the August 2004 primary, the citizens renewed the road maintenance millage of 2 mills for the next five years

The Township plans to enter into a building loan with U.S. Department of Agriculture, Rural Development in the amount of \$260,000 on October 27, 2004. The Township will begin construction on the new township hall soon there after.

The taxable amount of the property within the Township continues to increase in value. The Township assessor estimates that the value will increase over 10% over the next few years.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Secord Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Secord Township
1507 Secord Dam Road
Gladwin, MI 48624

SECORD TOWNSHIP
Statement of Net Assets
June 30, 2004

Governmental
Activities

Assets

| | |
|--|----------------|
| Cash and cash equivalents | \$ 862,180 |
| Due from other governmental units | 65,838 |
| Capital assets - net of accumulated depreciation of \$118,940. | <u>211,143</u> |

| | |
|--------------|------------------|
| Total Assets | <u>1,139,161</u> |
|--------------|------------------|

Liabilities

| | |
|-------------------------------|---------------|
| Accounts payable | 90,662 |
| Accrued and other liabilities | 2,922 |
| Noncurrent liabilities: | |
| Due within one year | 18,574 |
| Due in more than one year | <u>56,091</u> |

| | |
|-------------------|----------------|
| Total Liabilities | <u>168,249</u> |
|-------------------|----------------|

Net Assets

| | |
|--|----------------|
| Invested in capital assets - net of related debt | 136,478 |
| Restricted for: | |
| Streets and highways | 96,993 |
| Rubbish removal | 214,015 |
| Lake improvements | 182,143 |
| Unrestricted | <u>341,283</u> |

| | |
|------------------|--------------------------|
| Total Net Assets | <u><u>\$ 970,912</u></u> |
|------------------|--------------------------|

See accompanying notes to financial statements

SECORD TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2004

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Governmental</u> |
|---------------------------------|-------------------|-------------------------|----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Activities</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Net (Expense)</u> |
| | | | <u>Contributions</u> | <u>Revenue and</u> |
| | | | | <u>Changes in</u> |
| | | | | <u>Net Assets</u> |
| Primary Government - | | | | |
| Governmental activities: | | | | |
| General government | \$ 99,886 | \$ 0 | \$ 0 | \$ (99,886) |
| Public safety | 53,239 | 0 | 0 | (53,239) |
| Public works | 216,918 | 299,374 | 1,801 | 84,257 |
| Highways and streets | 258,305 | 195,061 | 2,689 | (60,555) |
| Planning, zoning, and inspector | 6,935 | 3,550 | 0 | (3,385) |
| Interest on long-term debt | 3,954 | 0 | 0 | (3,954) |
| Total governmental activities | <u>\$ 639,237</u> | <u>\$ 497,985</u> | <u>\$ 4,490</u> | <u>(136,762)</u> |
| General revenues: | | | | |
| Property taxes | | | | 130,902 |
| State shared revenues | | | | 83,762 |
| Investment earnings | | | | 2,659 |
| Franchise fees | | | | 7,150 |
| Miscellaneous | | | | 6,506 |
| Total general revenues | | | | <u>230,979</u> |
| Change in net assets | | | | 94,217 |
| Net assets - beginning of year | | | | <u>876,695</u> |
| Net assets - end of year | | | | <u>\$ 970,912</u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2004

| | <u>General Fund</u> | <u>Other Nonmajor Governmental Fund</u> | <u>Total</u> |
|--------------------------------------|-------------------------|---|-------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 787,131 | \$ 75,049 | \$ 862,180 |
| Due from other funds | 259 | 0 | 259 |
| Receivable from other governments | <u>59,716</u> | <u>6,122</u> | <u>65,838</u> |
| Total Assets | <u>\$ 847,106</u> | <u>\$ 81,171</u> | <u>\$ 928,277</u> |
| <u>Liabilities and Fund Balances</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ 90,662 | \$ 0 | \$ 90,662 |
| Due to other funds | <u>0</u> | <u>259</u> | <u>259</u> |
| Total liabilities | <u>90,662</u> | <u>259</u> | <u>90,921</u> |
| <u>Fund Balances</u> | | | |
| Reserved for streets and highways | 96,993 | 0 | 96,993 |
| Reserved for rubbish removal | 214,015 | 0 | 214,015 |
| Reserved for lake improvements | 182,143 | 0 | 182,143 |
| Unreserved | <u>263,293</u> | <u>80,912</u> | <u>344,205</u> |
| Total fund balances | <u>756,444</u> | <u>80,912</u> | <u>837,356</u> |
| Total Liabilities and Fund Balances | <u>\$ 847,106</u> | <u>\$ 81,171</u> | <u>\$ 928,277</u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2004

| | |
|---|--------------------------|
| Total fund balances - governmental funds | \$ 837,356 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | |
| Cost of the capital assets | 330,083 |
| Accumulated depreciation | (118,940) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Installment purchase agreements | (27,356) |
| Capital leases | (47,309) |
| Accrued interest payable is not included as a liability in governmental activities | <u>(2,922)</u> |
| Total net assets - governmental activities | <u><u>\$ 970,912</u></u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2004

| | General Fund | Other Nonmajor Governmental Fund | Total |
|--------------------------------------|-------------------|---|-------------------|
| <u>Revenues</u> | | | |
| Property taxes | \$ 65,920 | \$ 64,982 | \$ 130,902 |
| Licenses, fees, and permits | 4,172 | 0 | 4,172 |
| State shared revenues | 83,762 | 0 | 83,762 |
| Special assessments | 491,506 | 0 | 491,506 |
| Interest and rentals | 5,586 | 457 | 6,043 |
| Miscellaneous | 14,679 | 2,390 | 17,069 |
| Total revenues | <u>665,625</u> | <u>67,829</u> | <u>733,454</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| General government | 96,372 | 0 | 96,372 |
| Public safety | 2,572 | 40,425 | 42,997 |
| Public works | 216,918 | 0 | 216,918 |
| Highways and steets | 258,305 | 0 | 258,305 |
| Planning, zoning and inspector | 6,935 | 0 | 6,935 |
| Debt service | 0 | 24,677 | 24,677 |
| Total expenditures | <u>581,102</u> | <u>65,102</u> | <u>646,204</u> |
| Excess of revenues over expenditures | 84,523 | 2,727 | 87,250 |
| Fund balance - beginning of year | <u>671,921</u> | <u>78,185</u> | <u>750,106</u> |
| Fund balance - end of year | <u>\$ 756,444</u> | <u>\$ 80,912</u> | <u>\$ 837,356</u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

| | |
|--|-------------------------|
| Net change in fund balances - total governmental funds | \$ 87,250 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | |
| Depreciation expense | (20,329) |
| Capital outlay | 6,573 |
| Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | 496 |
| Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | <u>20,227</u> |
| Change in net assets of governmental activities | <u><u>\$ 94,217</u></u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Statement of Fiduciary Net Assets
June 30, 2004

| | <u>Current Tax Fund</u> |
|---------------------------------|-----------------------------|
| <u>Assets</u> | |
| Cash | <u>\$ 0</u> |
| <u>Liabilities</u> | |
| Due to other governmental units | \$ 0 |
| Due to other funds | <u> 0</u> |
| Total liabilities | <u>\$ 0</u> |

See accompanying notes to financial statements

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Secord Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Secord Township:

Reporting Entity

The Secord Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Fire services are accounted for in the Special Revenue Fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------|----------------|
| Buildings | 40 Years |
| Building improvements | 10 to 20 Years |
| Vehicles | 10 to 15 Years |
| Office equipment | 5 to 15 Years |
| Computer equipment | 3 to 5 Years |

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$330,083 less accumulated depreciation of \$118,940. In addition, the governmental activities column includes other long-term obligations totaling \$74,665 previously reported in the General Long-term Debt Account Group.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Secord Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Secord Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Budget Item</u> | <u>Budget Appropriation</u> | <u>Actual Expenditures</u> | <u>Budget Variance</u> |
|--------------------|---------------------------------|--------------------------------|----------------------------|
| General Fund | | | |
| Public safety | \$ 1,018 | \$ 2,572 | \$ (1,554) |

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Government's deposits were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Fiduciary Fund</u> | <u>Total</u> |
|---------------------------|------------------------------------|---------------------------|--------------|
| Cash and cash equivalents | \$ 862,180 | \$ 0 | \$ 862,180 |

The Township had no investments as of June 30, 2004.

The bank balance of the Township's deposits is \$862,888, of which \$100,000 is covered by federal depository insurance.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

| | Balance July 1, 2003 | Additions | Disposals and Adjustments | Balance June 30, 2004 |
|--------------------------------------|----------------------------|--------------------|---------------------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 10,850 | \$ 0 | \$ 0 | \$ 10,850 |
| Capital assets being depreciated: | | | | |
| Buildings | 15,000 | 0 | 0 | 15,000 |
| Building improvements | 26,835 | 2,303 | 0 | 29,138 |
| Machinery and equipment | 270,825 | 4,270 | 0 | 275,095 |
| Subtotal | 312,660 | 6,573 | 0 | 319,233 |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,375 | 375 | 0 | 6,750 |
| Building improvements | 3,674 | 1,605 | 0 | 5,279 |
| Machinery and equipment | 88,562 | 18,349 | 0 | 106,911 |
| Subtotal | 98,611 | 20,329 | 0 | 118,940 |
| Net capital assets being depreciated | 214,049 | (13,756) | 0 | 200,293 |
| Governmental Activities, Total | | | | |
| Capital Assets - Net of Depreciation | <u>\$ 224,899</u> | <u>\$ (13,756)</u> | <u>\$ 0</u> | <u>\$ 211,143</u> |

Depreciation expense was charged to programs of the Township as follows:

| | |
|-------------------------------|------------------|
| Governmental Activities: | |
| General government | \$ 3,514 |
| Public safety | <u>16,815</u> |
| Total Governmental Activities | <u>\$ 20,329</u> |

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at June 30, 2004 is as follows:

| <u>Fund</u> | <u>Receivables</u> | <u>Payables</u> |
|-------------|--------------------|-----------------|
| General | \$ 259 | \$ 0 |
| Fire Fund | <u>0</u> | <u>259</u> |
| | <u>\$ 259</u> | <u>\$ 259</u> |

There were no interfund transfers during the fiscal year.

NOTE 6 – LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

| | <u>Balance July 1, 2003</u> | <u>Additions</u> | <u>Retirements and Adjustments</u> | <u>Balance June 30, 2004</u> | <u>Amount Due Within One Year</u> |
|---------------------------------|-------------------------------------|------------------|--|--------------------------------------|---|
| Installment purchase agreements | \$ 34,783 | \$ 0 | \$ 7,427 | \$ 27,356 | \$ 7,681 |
| Capital leases | <u>60,109</u> | <u>0</u> | <u>12,800</u> | <u>47,309</u> | <u>10,893</u> |
| Total | <u>\$ 94,892</u> | <u>\$ 0</u> | <u>\$ 20,227</u> | <u>\$ 74,665</u> | <u>\$ 18,574</u> |

Secord Township entered into a installment purchase agreement on November 20, 2002 in the amount of \$39,000 at an interest rate of 3.39% for five years. The installment purchase agreement was used to purchase 1996 custom fire rescue module.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligation are as follows:

| <u>Year End June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|------------------|-----------------|------------------|
| 2005 | \$ 7,681 | \$ 809 | \$ 8,490 |
| 2006 | 7,946 | 545 | 8,491 |
| 2007 | 8,220 | 271 | 8,491 |
| 2008 | 3,509 | 30 | 3,539 |
| Total | <u>\$ 27,356</u> | <u>\$ 1,655</u> | <u>\$ 29,011</u> |

Secord Township entered into a capital lease agreement on December 27, 1996 in the amount of \$111,258 at an interest rate of 5.9% for ten years. The capital lease was used to purchase the Ford F800 water pumper truck.

Secord Township entered into a capital lease agreement on November 10, 1999 in the amount of \$11,810 at an interest rate of 8.5% for five years. The capital lease was used to purchase fire safety equipment.

Depreciation of the vehicles and equipment being purchased by capital lease are included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2004:

| | |
|------------------------------|------------------|
| 2005 | \$ 13,500 |
| 2006 | 13,500 |
| 2007 | 13,500 |
| 2008 | 13,500 |
| | <u>54,000</u> |
| Amount representing interest | <u>(6,691)</u> |
| | <u>\$ 47,309</u> |

NOTE 7 – RISK MANAGEMENT

The Secord Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Secord Township participates in the Michigan Municipal League risk pool for claims relating to relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SECORD TOWNSHIP
Notes to Financial Statements
For the Year Ended July 230, 2004

NOTE 7 – RISK MANAGEMENT (CONTINUED)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Secord Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 8 – SUBSEQUENT EVENTS

Secord Township plans to build a new township hall during the 2004-2005 fiscal year. The construction project will be financed with \$260,000 of capital improvement bonds issued by the U.S. Department of Agriculture, Rural Development.

Required Supplemental Information

SECORD TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004

| | Original Budget | Final Amended Budget | Actual | Variances with Final Budget Favorable (Unfavorable) |
|--|--------------------|-------------------------|-------------------|--|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 120,619 | \$ 120,619 | \$ 65,920 | \$ (54,699) |
| Licenses, fees, and permits | 3,110 | 3,110 | 4,172 | 1,062 |
| State shared revenues | 81,810 | 81,810 | 83,762 | 1,952 |
| Special assessments | 467,304 | 467,304 | 491,506 | 24,202 |
| Interest and rentals | 5,700 | 5,700 | 5,586 | (114) |
| Miscellaneous | 8,666 | 8,666 | 14,679 | 6,013 |
| Total revenues | <u>687,209</u> | <u>687,209</u> | <u>665,625</u> | <u>(21,584)</u> |
| <u>Expenditures</u> | | | | |
| Current | | | | |
| General government | 116,106 | 117,674 | 96,372 | 21,302 |
| Public safety | 1,018 | 1,018 | 2,572 | (1,554) |
| Public works | 281,250 | 282,473 | 216,918 | 65,555 |
| Highways and steets | 273,535 | 272,896 | 258,305 | 14,591 |
| Planning, zoning and inspector | 15,300 | 15,800 | 6,935 | 8,865 |
| Total expenses | <u>687,209</u> | <u>689,861</u> | <u>581,102</u> | <u>108,759</u> |
| Excess (deficiency) of revenues over expenditures | 0 | (2,652) | 84,523 | 87,175 |
| Fund balance - beginning of year | <u>671,921</u> | <u>671,921</u> | <u>671,921</u> | <u>0</u> |
| Fund balance - end of year | <u>\$ 671,921</u> | <u>\$ 669,269</u> | <u>\$ 756,444</u> | <u>\$ 87,175</u> |

Other Supplemental Information

SECORD TOWNSHIP
Other Supplemental Information
Balance Sheet
Nonmajor Government Fund
June 30, 2004

| | <u>Fire Fund</u> |
|-------------------------------------|-------------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | \$ 75,049 |
| Taxes receivable | <u>6,122</u> |
| Total assets | <u><u>\$ 81,171</u></u> |
| <u>Liabilities and Fund Balance</u> | |
| <u>Liabilities</u> | |
| Due to other funds | \$ 259 |
| <u>Fund Balance</u> | |
| Unreserved | |
| Undesignated | <u>80,912</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 81,171</u></u> |

SECORD TOWNSHIP
Other Supplemental Information
Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Fund
For the Year Ended June 30, 2004

| | <u>Fire Fund</u> |
|--------------------------------------|----------------------|
| <u>Revenues</u> | |
| Taxes and penalties | \$ 64,982 |
| Interest | 457 |
| Other revenue | 2,390 |
| Total revenues | <u>67,829</u> |
| <u>Expenditures</u> | |
| Public safety: | |
| Repairs and maintenance | 6,723 |
| Capital outlay | 6,573 |
| Insurance | 6,445 |
| Awards - response runs | 3,800 |
| Radio and telephone | 3,593 |
| Heat | 2,400 |
| Operating supplies | 6,713 |
| Training and physicals | 1,297 |
| Transportation | 899 |
| Gas and oil | 595 |
| Utilities | 557 |
| Miscellaneous | 470 |
| Township share - payroll taxes | 360 |
| Debt service | 24,677 |
| Total expenditures | <u>65,102</u> |
| Excess of revenues over expenditures | 2,727 |
| Fund balance - beginning of year | <u>78,185</u> |
| Fund balance - end of year | <u>\$ 80,912</u> |



WEINLANDER FITZHUGH

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July 23, 2004

Township Board
Township of Secord
Gladwin County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards

Our audit of the financial statements of the Township of Secord for the year ended June 30, 2004 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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WEINLANDER FITZHUGH

Township Board
Township of Secord
July 23, 2004
Page 2

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

Accounting Policies and Alternative Treatments

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The significant accounting policies adopted by the Township are described in Footnote 1 to the financial statements. The Township adopted several significant Governmental Accounting Standards Board (GASB) Statements in the current year including:

GASB No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments

GASB No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus

GASB No. 38, Certain Financial Statement Note Disclosures

GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management’s judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



WEINLANDER FITZHUGH

Township Board
Township of Secord
July 23, 2004
Page 3

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Secord Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh